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DIVISION OF WORKERS' COMPENSATION



STATE DOCUMENTS

ANNUAL REPORT

FISCAL 1976

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ANNUAL REPORT





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P R E F A C E

This publication is presented as a general reference source and a comprehensive annual report of the activities of the Division of Workers' Compensation for the fiscal year ending June 30, 1976.

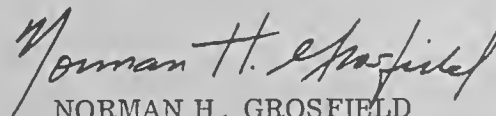
The report has been designed to give interested persons insight into the operations of the Division. The report includes the financial statements of the Division and the state operated workers' compensation insurance program known as the State Compensation Insurance Fund. Also included is detailed statistical information compiled by the Division concerning the cause, type, source and frequency of industrial injuries suffered by Montana workers, and related material of interest.

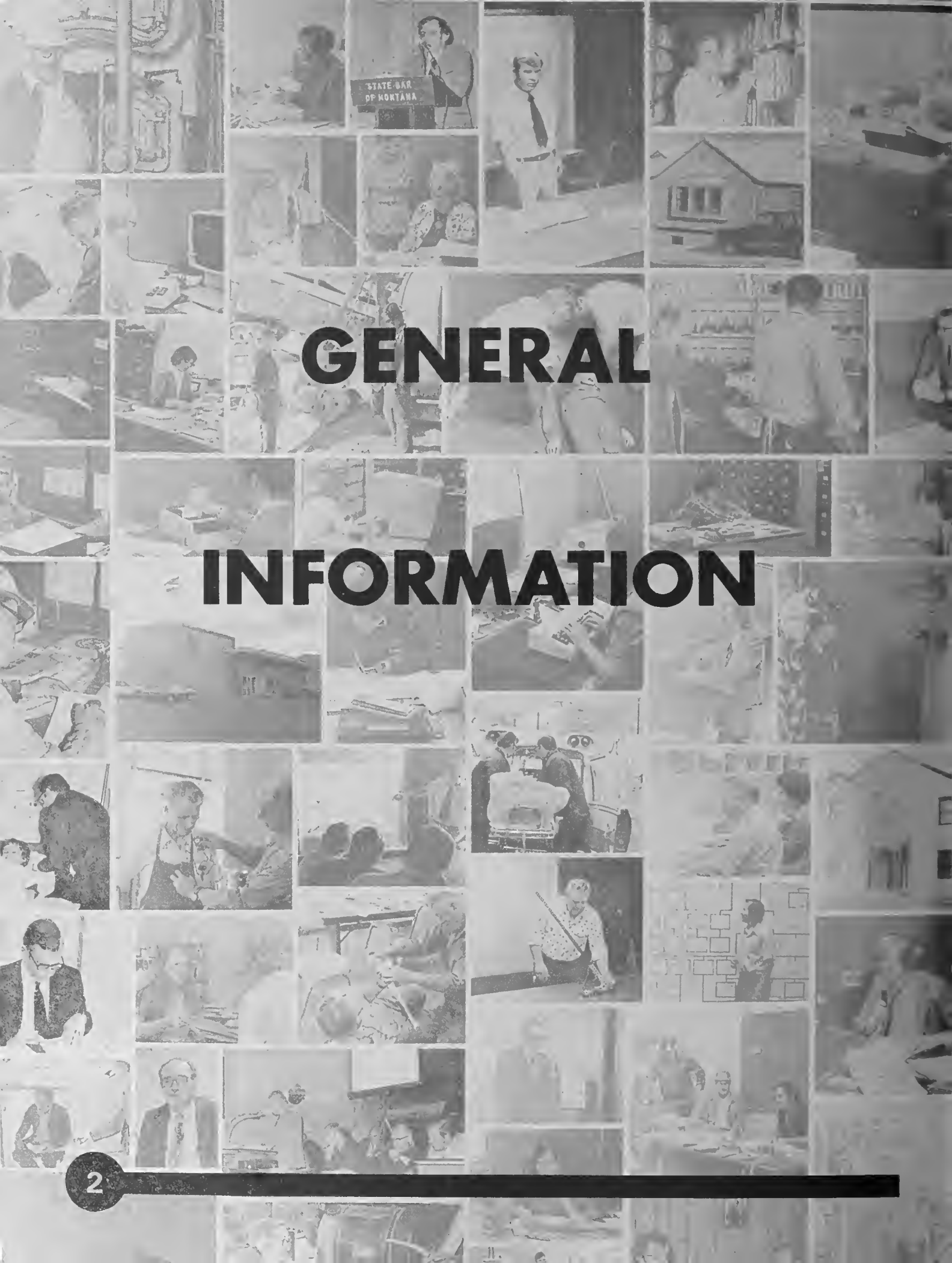
In recent years the workers' compensation law and delivery system has undergone significant changes in Montana and throughout the United States. Due to the impetus for improved workers' compensation laws based on federal studies and guidelines, and pending legislation in Congress, the states have striven to upgrade and correct the deficiencies in their systems. The Montana Legislature, recognizing the need for improvement, made many changes, especially in the area of increased benefit levels and expanded coverage requirements. The effect of several of these changes can be gleaned from the contents of this report.

The format of this report is set forth in four major sections. These include:

- Section I General Information
- Section II Financial Reports
- Section III State Compensation Insurance Fund
- Section IV Work Injury Reports

Further information concerning the Division's functions and operations may be received by contacting the Division at 815 Front Street, Helena, Montana 59601.


NORMAN H. GROSFIELD
Division Administrator



GENERAL INFORMATION

SECTION I

DIVISION ADMINISTRATION

The Division is responsible for the administration of several legislative acts that relate primarily to the prevention of on-the-job injuries, and the payment of benefits to industrially injured workers and their beneficiaries.

The laws the Division administers include the following, with reference made to the title and chapter number in the Revised Codes of Montana, 1947:

Industrial Safety and Health

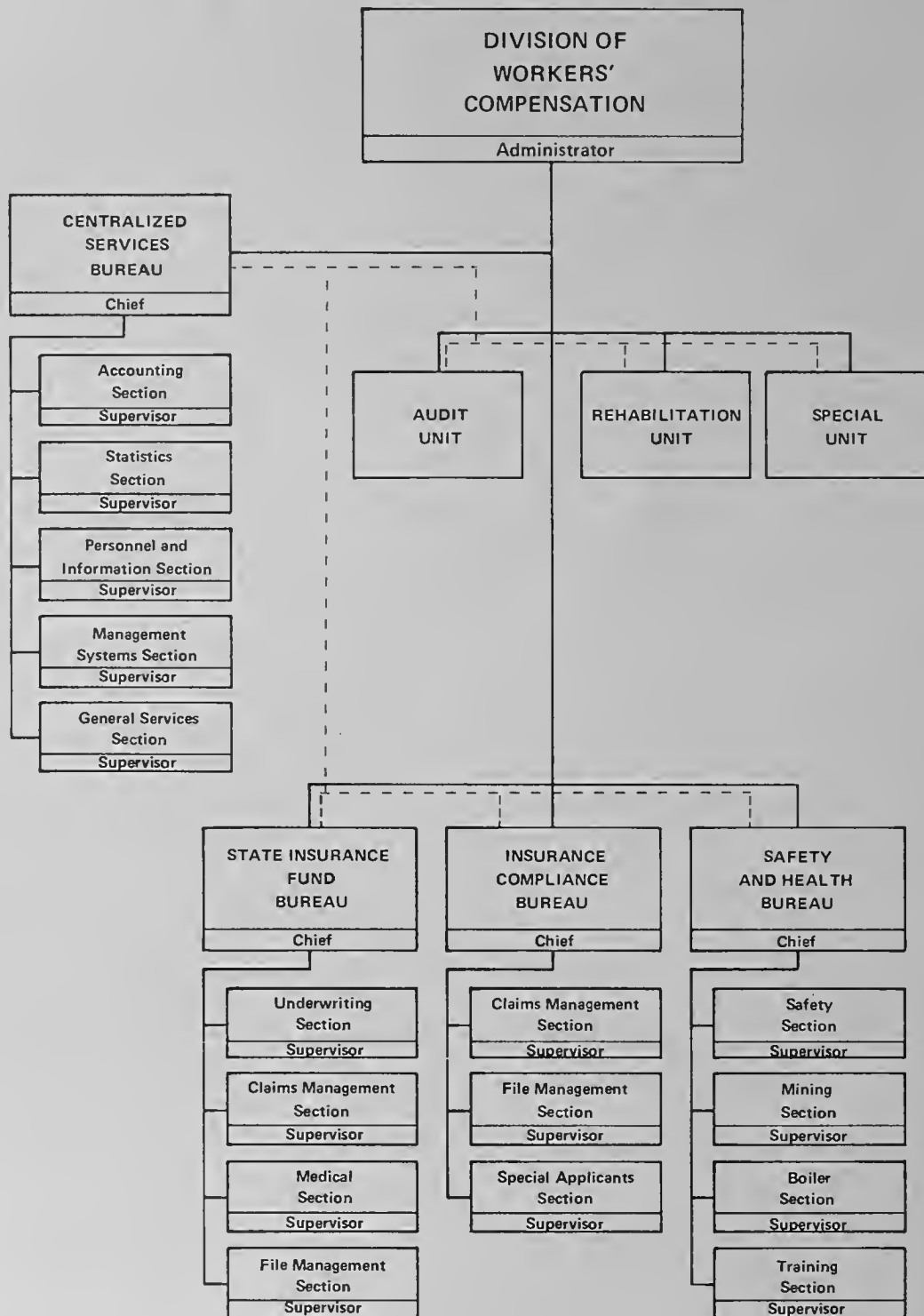
1. Montana Safety Act, Title 41, Chapter 17
2. Metal and Nonmetallic Mine Safety Law, Title 50, Chapter 1
3. Montana Coal Mining Code, Title 50, Chapter 4
4. Boiler Inspection and Engineers Licensing Law, Title 69, Chapter 15
5. Hoisting and Crane Engineers Licensing Law, Title 69, Chapter 16
6. Traction Engines Inspection Law, Title 69, Chapter 17

Compensation Systems

1. Volunteer Firemen's Compensation Act, Title 11, Chapter 20
2. Silicosis Benefit Law, Title 71, Chapter 10
3. Workers' Compensation Act, Title 92, Chapter 11
4. Occupational Disease Act, Title 92, Chapter 13
5. Rehabilitation of Injured Workers, Title 92, Chapter 14

The Division operates four major programs and, as illustrated on the organizational chart found on the following page, the agency's bureau structure generally corresponds to the programs.

ORGANIZATION CHART



The Division Administrator provides overall management to the Division. The Administrator is directly assisted by an Assistant Administrator, Legal Counsel, Audit Unit, Rehabilitation Unit, and a Special Unit which includes an Executive Secretary, and a Special Projects Officer.

The major bureaus provide the following services: Centralized Services gives needed overall support services to all bureaus and units; the State Insurance Fund allows employers an option for obtaining workers' compensation insurance in Montana; Insurance Compliance reviews the payment of workers' compensation benefits by self-insured employers and private insurance carriers; and Safety and Health administers the occupational safety and health laws.

PRINCIPAL OPERATIONAL PERSONNEL

Norman H. Grosfield, Administrator

James J. Murphy, Assistant Administrator

Margaret Condon, Executive Secretary

Timothy W. Reardon, Chief Legal Counsel

John C. Harrison, Supervisor, Rehabilitation Unit

Kenneth Squires, Supervisor, Audit Unit

Kenneth D. Myers, Personnel and Information

Andrew J. Kiely, Special Projects Officer

William R. Palmer, Chief, Centralized Services Bureau

A. G. Pillen, Chief, State Insurance Fund Bureau

Barnett H. Stevens, Supervisor, Underwriting Section

Peter J. Strizich, Supervisor, Claims Section

C. J. Woods, Chief, Insurance Compliance Bureau

J. E. Jacobson, Deputy Chief, Insurance Compliance Bureau

B. J. Briggeman, Chief, Safety and Health Bureau

MAJOR ACTIVITIES DURING FISCAL YEAR 1975-76

Administrative Program

A major goal was achieved this year by completing the design of the Division's new Management Information System. This system replaces a cumbersome and time-consuming manual recordkeeping operation, and brings in sophisticated computer applications to assist the agency in performing its functions.

The Division certified 22 physically disabled persons under the Subsequent Injury Fund during fiscal 1976. There are now 77 certifications under the Fund. The Rehabilitation Unit served 852 industrially injured workers, and personnel of the Audit Unit reviewed 390 employer accounts.

State Insurance Fund Program

As of June 30, 1976, 15,514 employers received coverage through the State Fund. Many of these employers were placed under a new experience rating system that relates insurance premium cost directly to each employer's accident experience. To be eligible for experience rating, a firm must meet certain minimum premium payments. Generally, an average annual premium of \$750 per year for three years is required. Firms qualifying for experience rating in fiscal 1976 totalled 2,011.

The State Fund paid injured workers compensation benefits amounting to \$5,214,048, and paid \$2,887,997 in medical costs.

Insurance Compliance Program

Personnel of the Insurance Compliance Bureau conducted claims workshops in several major Montana cities.

The bureau reviewed and processed thousands of accident reports of injuries to employees whose employers are either self-insured or have coverage through private insurance companies.

Safety and Health Program

Activities under the Safety and Health Program included 407 mandatory inspections; 868 advisory inspections; 2,090 contacts concerning boiler safety and including inspections, investigations, and licensing of boiler operators; and 611 mining inspections and related contacts. The Division also adopted rules regarding the certification of surface and underground coal mining.

COMPARATIVE SUMMARY OF PLANS I, II, AND III

The Montana Workers' Compensation and Occupational Disease Acts allow employers to obtain the required insurance coverage by one of three methods. These methods include: (1) self-insurance under Compensation Plan No. 1, where firms with proven financial ability pay directly to the injured workers; (2) coverage with a private insurance company licensed to write workers' compensation insurance in Montana, known as Compensation Plan No. 2; and (3) coverage with the State Compensation Insurance Fund, a state operated insurance program, known as Compensation Plan No. 3.

The following table compares the overall activity of the three plans for the three fiscal years.

<u>Plan I - Self-Insurance</u>	<u>1973 - 1974</u>	<u>1974 - 1975</u>	<u>1975 - 1976</u>
Number of employers enrolled	68	65	69
*Gross annual payroll	\$204,189,456	\$224,351,016	\$240,177,069
Number of work injuries reported	2,966	2,788	3,039
Number of claims filed	748	824	652
Occupational disease cases reported	7	19	25
Compensation benefits paid	\$1,237,971	\$1,663,095	\$1,838,559
Medical & burial benefits paid	\$719,957	\$829,889	\$809,145
Subsequent injury fund payments	\$5,000	\$9,000	\$6,000
Subsequent injury assessment			\$18,404
<u>Plan II - Private Carriers</u>	<u>1973 - 1974</u>	<u>1974 - 1975</u>	<u>1975 - 1976</u>
Number of employers enrolled	9,641	9,936	10,336
*Gross annual premium	\$10,836,514	\$17,180,622	\$19,529,918
Number of work injuries reported	13,884	14,333	15,621
Number of claims filed	2,023	2,213	2,179
Occupational disease cases reported	8	3	6
Compensation benefits paid	\$3,378,455	\$3,701,095	\$5,128,307
Medical & burial benefits paid	\$2,038,357	\$2,715,682	\$2,650,169
Subsequent injury fund payments	\$15,000	\$24,500	\$12,000
Subsequent injury assessments			\$136,265
<u>Plan III - State Fund</u>	<u>1973 - 1974</u>	<u>1974 - 1975</u>	<u>1975 - 1976</u>
Number of employers enrolled	16,249	15,656	15,514
Gross annual premium	\$14,727,626	\$15,695,773	\$18,329,385
Number of work injuries reported	10,247	9,999	10,755
Number of claims filed	1,785	1,711	1,662
Occupational disease cases reported	7	9	3
Compensation benefits paid	\$3,957,966	\$4,519,334	\$5,214,048
Medical & burial benefits paid	\$2,060,343	\$2,805,996	\$2,887,997
Subsequent injury fund payments	\$18,000	\$24,000	\$19,000
Subsequent injury assessments			\$112,983

*Figures shown on calendar year basis.



FINANCIAL

REPORTS

SECTION II

INTRODUCTION

The following statements reflect the financial activity and the condition of Division funds for the fiscal year ending June 30, 1976. Four types of statements are included, i.e., Balance Sheets, Statements of Changes in Fund Balance, Statement of Receipts, and a Program Cost Statement. These statements report the financial activity for each fund and each accounting entity within the fund administered by the Division. However, because of the magnitude of the State Compensation Insurance Fund, the financial activity of this entity is reported as a separate item in the following section of this report.

The Consolidated Balance Sheet, Consolidated Statement of Changes in Fund Balance, and the Statement of Receipts, compare the financial activity for the fiscal years ending June 30, 1975, and June 30, 1976.

While administering the various laws and regulations pertaining to workers' compensation, the Division incurs necessary operating costs. In order to fund these costs, state law requires the Division to assess Compensation Plan No. 1 self-insurers, Compensation Plan No. 2 private insurance carriers, and Compensation Plan No. 3, the State Compensation Insurance Fund, on an equitable basis. The results of these assessments are published in a separate report.

Division operating costs are controlled by the Legislature through the appropriation process. The Program Cost Statement shows the actual operating costs for fiscal year 1976.

COMPARATIVE CONSOLIDATED BALANCE SHEET
FISCAL YEARS ENDING JUNE 30, 1976 AND JUNE 30, 1975

		Earmarked Revenue Fund	
		1976	1975
	<u>ASSETS</u>		
The fund structure of Montana State Government is divided into nine areas, five of which are used by the Division.	Revolving Fund Cash	\$ 1,500	\$ 1,500
	Cash in Treasury	77,933	104,509
	Accounts Receivable	190	0
General Fund monies are used to cover the costs of the silicosis and social security offset benefits.	Inter-Entity Loans Receivable	15,000	0
	Federal Securities-Book Value	180,000	180,000
	Other Investments-Par Value	1,215,000	1,071,000
	Other Investments - Cost	0	99,635
	Unamortized Premiums	2,885	3,122
	Interest Purchased	69	0
	Short Term Investment Pool	112,953	9,087
	STIP Interest Purchased	385	0
	Property Held in Trust	0	0
	Expense Advance to Employees	13,712	0
The Earmarked Revenue Fund monies, generated by the Division, are used to defray the costs of operations.	Deferred Costs on Bond Exchanges	4,845	(114)
	TOTAL ASSETS	<u>\$1,624,472</u>	<u>\$1,468,739</u>
	<u>LIABILITIES</u>		
Federal & Private Revenue Fund monies are operational funds received from the federal government.	Inter-Entity Loans Payable	\$ 0	\$ 0
	Accrued Support Expenditures	228,169	104,471
	Unaccumulated Bond Discounts	4,310	2,210
The Federal & Private Grant Clearance Fund accounts for receipts whose purpose is unknown until proper disposition is determined.	Deferred Losses	0	(251)
	Stale Dated Warrants	2	2
	Uncleared Collections	0	0
	Cancelled Warrant Clearing	0	1,503
	Bonds Held in Trust	0	0
	FUND BALANCE		
	General	660,594	1,360,804
Agency Fund monies consist of those funds deposited with the Division, whereby the Division acts as custodian or agent for their usage.	Reserve for Reverted Appropriations	731,397	0
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$1,624,472</u>	<u>\$1,468,739</u>

Federal & Private Revenue Fund		Federal & Private Grant Clearance Fund		Agency Fund		Total Division Funds	
1976	1975	1976	1975	1976	1975	1976	1975
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,500	\$ 1,500
21,694	19,740	3,427	4,422	3,745	21,453	106,799	150,124
0	0	2,535	6,743	0	0	2,725	6,743
0	0	0	0	0	0	15,000	0
0	0	0	0	35,000	35,000	215,000	215,000
0	0	0	0	840,000	565,000	2,055,000	1,636,000
0	0	0	0	0	0	0	99,635
0	0	0	0	30	47	2,915	3,169
0	0	0	0	69	2,443	138	2,443
0	0	0	0	125,091	43,481	238,044	52,568
0	0	0	0	183	0	568	0
0	0	0	0	8,117,000	7,785,000	8,117,000	7,785,000
0	0	0	0	0	0	13,712	0
0	0	0	0	1,864	(21)	6,709	(135)
<u>\$21,694</u>	<u>\$19,740</u>	<u>\$ 5,962</u>	<u>\$11,165</u>	<u>\$9,122,982</u>	<u>\$8,452,403</u>	<u>\$10,775,110</u>	<u>\$9,952,047</u>
\$15,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,000	\$ 0
3,973	5,912	4,500	0	0	0	236,642	110,383
0	0	0	0	4,679	958	8,989	3,168
0	0	0	0	0	0	0	(251)
0	0	0	0	0	0	2	2
0	0	1,462	11,165	0	0	1,462	11,165
0	326	0	0	0	7	0	1,836
0	0	0	0	8,117,000	7,785,000	8,117,000	7,785,000
(71,197)	13,502	0	0	1,001,303	666,438	1,590,700	2,040,744
73,918	0	0	0	0	0	805,315	0
<u>\$21,694</u>	<u>\$19,740</u>	<u>\$ 5,962</u>	<u>\$11,165</u>	<u>\$9,122,982</u>	<u>\$8,452,403</u>	<u>\$10,775,110</u>	<u>\$9,952,047</u>

BALANCE SHEET - JUNE 30, 1976

The Division administers various restricted accounting entities within each fund.

The names indicated on these entities generally specify the purpose for which the account is used.

A new feature of the Statewide Budgeting and Accounting System this year is the reserve for reverted appropriations. The account is used to reflect unused legislative or executive spending authority at the close of the fiscal year. This reserve will be closed to the regular fund balance control account at the end of the following fiscal period.

ASSETS

Revolving Fund Cash
Cash in Treasury
Accounts Receivable
Inter-Entity Loans Receivable
Federal Securities - Book Value
Other Investments - Par Value
Unamortized Premiums
Interest Purchased
Short Term Investment Pool
STIP Interest Purchased
Property Held in Trust
Expense Advance to Employees
Deferred Cost on Bond Exchanges

TOTAL ASSETS

LIABILITIES

Inter-Entity Loan Payable
Accrued Support Expenditures
Unaccumulated Bond Discounts
Stale Dated Warrants
Bonds Held in Trust

FUND BALANCE

General
Reserve for Reverted Appropriations

TOTAL LIABILITIES AND FUND BALANCE

Earmarked Revenue Fund			Federal & Private Revenue Fund		Agency Fund		
Division Adminis- tration	Loss Adjust- ment	Volunteer Firemen	Coal Mine Safety	OSHA Statis- tics	Insurance Liquida- tion	Occupa- tional Disease	Subse- quent Injury
\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
75,264	2,669	0	11,630	10,064	0	2,135	1,610
190	0	0	0	0	0	0	0
15,000	0	0	0	0	0	0	0
0	0	180,000	0	0	0	0	35,000
0	0	1,215,000	0	0	0	9,000	831,000
0	0	2,885	0	0	0	0	30
0	0	69	0	0	0	0	69
0	0	112,953	0	0	0	55,072	70,019
0	0	385	0	0	0	140	43
0	0	0	0	0	8,117,000	0	0
13,712	0	0	0	0	0	0	0
0	0	4,845	0	0	0	1,864	0
<u>\$105,666</u>	<u>\$ 2,669</u>	<u>\$1,516,137</u>	<u>\$11,630</u>	<u>\$10,064</u>	<u>\$8,117,000</u>	<u>\$68,211</u>	<u>\$937,771</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$15,000	\$ 0	\$ 0	\$ 0
228,169	0	0	2,985	988	0	0	0
0	0	4,310	0	0	0	0	4,679
2	0	0	0	0	0	0	0
0	0	0	0	0	8,117,000	0	0
(847,940)	2,669	1,505,865	(51,912)	(19,285)	0	68,211	933,092
725,435	0	5,962	60,557	13,361	0	0	0
<u>\$105,666</u>	<u>\$ 2,669</u>	<u>\$1,516,137</u>	<u>\$11,630</u>	<u>\$10,064</u>	<u>\$8,117,000</u>	<u>\$68,211</u>	<u>\$937,771</u>

COMPARATIVE CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEARS ENDING JUNE 30, 1976 AND JUNE 30, 1975

This statement illustrates the consolidated financial activity of each fund group as it relates to the Division's operations. The statement of changes in fund balance is primarily used to numerically explain the effect of the year's receipts and disbursements upon the beginning fund balance.

It should be noted that the general fund activity reported is only that portion of this fund which relates to the Division. Any unused or uncommitted spending authority remaining at year end automatically reverts to the fund, leaving no ending fund balance.

		<u>General Fund</u>	
		<u>1976</u>	<u>1975</u>
FUND BALANCE, JULY 1		\$ 0	\$127,504
<u>ADDITIONS</u>			
Legislative Appropriations		\$977,254	\$608,494
Receipts:			
Licenses & Permits		0	0
Service Fees		0	0
Reimbursements		0	0
Transfers		0	0
Investment Earnings		0	0
Fiduciary & Trust		0	0
Grants		0	0
Adjustment - Prior Year Activity		0	0
TOTAL ADDITIONS		\$977,254	\$608,494
<u>TOTAL FUNDS AVAILABLE</u>		\$977,254	\$735,998
<u>DEDUCTIONS</u>			
Support Expenditures		\$ 11,488	\$ 10,170
Local Assistance Expenditures		0	0
Withdrawals (Transfers)		0	0
Benefits		965,143	687,176
Adjustments - Prior Year Activity		0	1,683
Reversions		623	36,969
TOTAL DEDUCTIONS		\$977,254	\$735,998
FUND BALANCE, JUNE 30		\$ 0	\$ 0

<u>Earmarked Revenue Fund</u>		<u>Federal & Private Revenue Fund</u>		<u>Agency Fund</u>		<u>All Funds</u>	
<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>	<u>1976</u>	<u>1975</u>
<u>\$1,360,804</u>	<u>\$1,163,844</u>	<u>\$ 13,502</u>	<u>\$ 70,075</u>	<u>\$ 666,438</u>	<u>\$179,784</u>	<u>\$2,040,744</u>	<u>\$1,541,207</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 977,254	\$ 608,494
21,448	23,252	0	0	0	0	21,448	23,252
930,326	445,012	0	0	191,670	0	1,121,996	445,012
903	0	0	0	0	0	903	0
1,482,065	1,675,000	0	0	112,983	480,307	1,595,048	2,155,307
90,444	89,604	0	0	54,725	16,186	145,169	105,790
94,996	165,621	0	0	0	0	94,996	165,621
0	0	63,349	114,216	0	0	63,349	114,216
(293,151)	(90,897)	(1,882)	(48,998)	81	(1,659)	(294,952)	(141,554)
<u>\$2,327,031</u>	<u>\$2,307,592</u>	<u>\$ 61,467</u>	<u>\$ 65,218</u>	<u>\$ 359,459</u>	<u>\$494,834</u>	<u>\$3,725,211</u>	<u>\$3,476,138</u>
<u>\$3,687,835</u>	<u>\$3,471,436</u>	<u>\$ 74,969</u>	<u>\$135,293</u>	<u>\$1,025,897</u>	<u>\$674,618</u>	<u>\$5,765,955</u>	<u>\$5,017,345</u>
\$2,471,558	\$2,196,493	\$ 77,688	\$106,350	\$ 0	\$ 0	\$2,560,734	\$2,313,013
68,525	0	0	0	0	0	68,525	0
104,919	10,734	0	0	0	0	104,919	10,734
888	0	0	0	23,452	8,380	989,483	695,556
(350,046)	(96,595)	(5,440)	15,441	1,142	(200)	(354,344)	(79,671)
0	0	0	0	0	0	623	36,969
<u>\$2,295,844</u>	<u>\$2,110,632</u>	<u>\$ 72,248</u>	<u>\$121,791</u>	<u>\$ 24,594</u>	<u>\$ 8,180</u>	<u>\$3,369,940</u>	<u>\$2,976,601</u>
<u>\$1,391,991</u>	<u>\$1,360,804</u>	<u>\$ 2,721</u>	<u>\$ 13,502</u>	<u>\$1,001,303</u>	<u>\$666,438</u>	<u>\$2,396,015</u>	<u>\$2,040,744</u>

STATEMENT OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDING JUNE 30, 1976

		General Fund
This statement illustrates		
the year's receipt and dis-		
bursement activity upon the		
beginning fund balance for	FUND BALANCE, JULY 1, 1975	\$ 0
each of the accounting entities	ADDITIONS	
where the Division has finan-	Legislative Appropriations	977,254
cial responsibility.	Receipts:	
	Licenses & Permits	0
	Service Fees	0
	Reimbursements	0
	Transfers	0
	Investment Earnings	0
	Fiduciary & Trust	0
	Grants	0
In addition to the General	Adjustments - Prior Year Activity	0
Fund, both the Earmarked		
Revenue and the Federal &		
Private Revenue Funds are	TOTAL ADDITIONS AND	
limited by legislative appro-	FUND BALANCE	\$977,254
priation as to the amount of	DEDUCTIONS	
funds that can be disbursed.	Support Expenditures	\$ 11,488
	Local Assistance Expenditures	0
	Withdrawals (Transfers)	0
	Benefits	965,143
	Adjustments - Prior Year Activity	0
	Reversions	623
	FUND BALANCE, JUNE 30, 1976	\$ 0

Earmarked Revenue Fund			Federal & Private Revenue Fund			Agency Fund	
Division Adminis- tration	Loss Adjust- ment	Volunteer Firemen	Coal Mine Safety	OSHA Statistics	Occupa- tional Safety & Health	Occupa- tional Disease	Subse- quent Injury
\$ (49,996)	\$ 14,079	\$1,396,721	\$ 1,242	\$ 10,704	\$ 1,556	\$ 90,503	\$575,935
0	0	0	0	0	0	0	0
21,448	0	0	0	0	0	0	0
930,326	0	0	0	0	0	0	191,670
903	0	0	0	0	0	0	0
1,482,065	0	0	0	0	0	0	112,983
0	0	90,444	0	0	0	2,261	52,464
0	0	94,996	0	0	0	0	0
0	0	0	39,851	23,498	0	0	0
(278,696)	(14,489)	34	0	0	(1,882)	41	40
<u>\$2,106,050</u>	<u>\$ (410)</u>	<u>\$1,582,195</u>	<u>\$ 41,093</u>	<u>\$ 34,202</u>	<u>\$ (326)</u>	<u>\$ 92,805</u>	<u>\$933,092</u>
\$2,470,558	\$ 0	\$ 1,000	\$ 37,418	\$ 40,270	\$ 0	\$ 0	\$ 0
0	0	68,525	0	0	0	0	0
104,919	0	0	0	0	0	0	0
0	0	888	0	0	0	23,452	0
(346,922)	(3,079)	(45)	(4,970)	(144)	(326)	1,142	0
0	0	0	0	0	0	0	0
<u>\$ (122,505)</u>	<u>\$ 2,669</u>	<u>\$1,511,827</u>	<u>\$ 8,645</u>	<u>\$ (5,924)</u>	<u>\$ 0</u>	<u>\$ 68,211</u>	<u>\$933,092</u>

This statement identifies, by source of revenue, the receipts collected during the fiscal years ending June 30, 1976, and June 30, 1975. All funds, except the General Fund, receive revenue collected by the Division from outside sources. Disbursements cannot be made until the Division collects and deposits these receipts in the proper fund.

COMPARATIVE STATEMENT OF SOURCES OF RECEIPTS AND TRANSFERS
FISCAL YEARS ENDING JUNE 30, 1976 AND JUNE 30, 1975

	<u>1976</u>		<u>1975</u>
<u>RECEIPTS</u>			
Licenses and Permits:			
Boiler Engineer	\$ 21,448		\$ 23,252
Service Fees:			
Administrative	\$ 4,821		\$ 833
Plan I Assessments	272,301		120,090
Plan II Assessments	826,034		588,574
Qualification Examinations	375		312
Occupational Disease Filings	0		969
Boiler Inspections	<u>18,465</u>	1,121,996	<u>16,643</u> 727,421
Investment Earnings:			
Certificates of Deposit	\$ 0		\$ 8,920
U.S. Treasury Obligations	10,166		10,104
Industrial Bonds	73,276		24,233
Railroad Equipment Trust	14,931		7,000
Public Utility Securities	40,381		46,280
Commercial Paper	3,744		5,119
Short Term Investment Pool	<u>2,671</u>	145,169	<u>4,134</u> 105,790
Reimbursements		903	0
Fiduciary and Trust:			
Firemen's Relief Fund			
Contributions		94,996	165,621
Grants:			
Federal Dept. of Labor	\$ 40,935		\$ 63,315
Federal Dept. of Interior	<u>22,414</u>	63,349	<u>50,901</u> 114,216
<u>TRANSFERS</u>			
From State Compensation			
Insurance Fund		<u>1,595,048</u>	<u>1,872,898</u>
TOTAL RECEIPTS AND			
TRANSFERS		<u>\$3,042,909</u>	<u>\$3,009,198</u>

This statement provides the detail expenditure activity and the funding sources for each of the Division's four programs for the period ending June 30, 1976.

PROGRAM COST STATEMENT
FISCAL YEAR ENDING JUNE 30, 1976

<u>COSTS</u>	<u>Adminis- tration Program</u>	<u>State Fund Program</u>	<u>Compli- ance Program</u>	<u>Safety & Health Program</u>
Personal Services:				
Salaries	\$ 518,264	\$374,737	\$ 179,855	\$313,089
Other Compensation	546	0	0	0
Employee Benefits	65,258	48,929	23,659	41,849
Sub-Total	<u>\$ 584,068</u>	<u>\$423,666</u>	<u>\$ 203,514</u>	<u>\$354,938</u>
Operating Expenses:				
Contracted Services	\$ 221,408	\$223,589	\$ 29,002	\$ 14,018
Supplies & Materials	12,430	8,343	3,258	13,081
Communications	18,843	41,157	13,593	10,820
Travel	55,908	32,392	2,578	76,947
Rent	37,417	37,360	15,744	29,034
Utilities	2,460	3,382	2,138	981
Repair & Maintenance	5,953	4,075	1,818	3,977
Other Expenses	5,782	480	290	1,265
Sub-Total	<u>\$ 360,201</u>	<u>\$350,778</u>	<u>\$ 68,421</u>	<u>\$150,123</u>
Equipment	<u>\$ 19,702</u>	<u>\$ 23,457</u>	<u>\$ 5,888</u>	<u>\$ 14,978</u>
Local Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,050</u>	<u>\$ 0</u>
Benefits	<u>\$ 108,217</u>	<u>\$ 23,452</u>	<u>\$ 857,814</u>	<u>\$ 0</u>
Transfers	<u>\$ 104,919</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL PROGRAM COSTS	<u>\$1,177,107</u>	<u>\$821,353</u>	<u>\$1,148,687</u>	<u>\$520,039</u>
<u>SUMMARY OF FUNDING</u>				
General Fund	\$ 108,217	\$ 0	\$ 868,415	\$ 0
Earmarked Revenue Fund	1,029,436	797,085	280,272	482,621
Federal & Private Revenue Fund	39,454	816	0	37,418
Agency Fund	0	23,452	0	0
TOTAL FUNDING	<u>\$1,177,107</u>	<u>\$821,353</u>	<u>\$1,148,687</u>	<u>\$520,039</u>



STATE COMPENSATION INSURANCE FUND

SECTION III

INTRODUCTION

The State Compensation Insurance Fund provides Montana employers one alternative to obtain workers' compensation insurance coverage as required by law. The Division maintains a separate accounting entity within the state's agency fund structure to record the activity of the State Fund.

The Division maintains a sound financial and actuarial fund, credits investment earnings to the Fund and each year analyses the assets, liabilities, reserves, income and expenses to determine whether employers enrolled in the Fund should receive a dividend. The Division employs an independent actuary to review the payroll and accident experience and recommend increases or decreases in rates, and to review the financial and actuarial condition of the Fund and recommend increases or decreases in reserves.

Based on fiscal year 1976 operations, the Fund will declare a dividend to eligible employers of about \$3,000,000. Dividends are paid to employers in good standing who pay in excess of \$40 premium per year and have less than an 85% loss ratio. The dividend payment, which amounts to approximately 17% of the earned premium, is the result of an active investment program and a successful effort to reduce operational costs.

The following statements were prepared on the same basis as the previous year's statements. Premium earned was computed on the accrual basis, and the balances of the reserves and liabilities were reviewed by the actuary for accuracy and adequacy.

BALANCE SHEET

The Balance Sheet found on the next page, reflects the financial status of the assets, liabilities, reserves, and fund balances as of June 30, 1976. An account for estimated uncollectible premium was eliminated from this year's Balance Sheet. It was determined to expense the items as they occur.

Investments are reported at par and adjusted to reflect the unamortized premiums, interest purchased, and unaccumulated discounts, which is in conformance with the reporting method in the Statewide Budgeting and Accounting System. Deferred costs and revenues appear in the balance sheet and will be acknowledged over the life of the investment and a proper amount for each item recognized each fiscal year.

STATE COMPENSATION INSURANCE FUND
BALANCE SHEET
June 30, 1976

ASSETS

CURRENT ASSETS

Cash in Treasury	\$ 464,358	
Premium Due & Billed	208,984	
Loans Receivable	4,500	
Unbilled Premium Receivable	4,266,690	
Total Current Assets		\$ 4,944,532

INVESTMENTS

Mortgages	\$ 563,785	
Federal Securities	3,510,000	
State Securities	55,000	
Corporate Bonds	37,762,307	
Commercial Paper	500,000	
Gross Investments		\$42,391,092
Plus: Unamortized Premiums	\$ 22,735	
Interest Purchased	41,558	64,293
Less: Unaccumulated Bond Discounts		(852,967)
Net Investments		41,602,418

<u>DEFERRED COSTS ON BOND EXCHANGES</u>	578,839
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<u>PROPERTY HELD IN TRUST</u>	355,491
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TOTAL ASSETS	\$47,481,280
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LIABILITIES, RESERVES & FUND BALANCE

LIABILITIES

Dividends Payable	\$ 3,109,382	
Advance Deposits	2,452,600	
Accountability for Stale Dated Warrants	8,633	
Active Cancelled Warrant Clearing	2,220	
Compensation Benefits	13,295,659	
Medical Benefits	4,500,796	
Medical Only Benefits	750,000	
Unreported Claims	9,281,498	
Reopened Claims	2,000,000	
Total Liabilities		\$35,400,788

<u>DEFERRED REVENUE ON BOND EXCHANGES</u>	10,750
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RESERVES

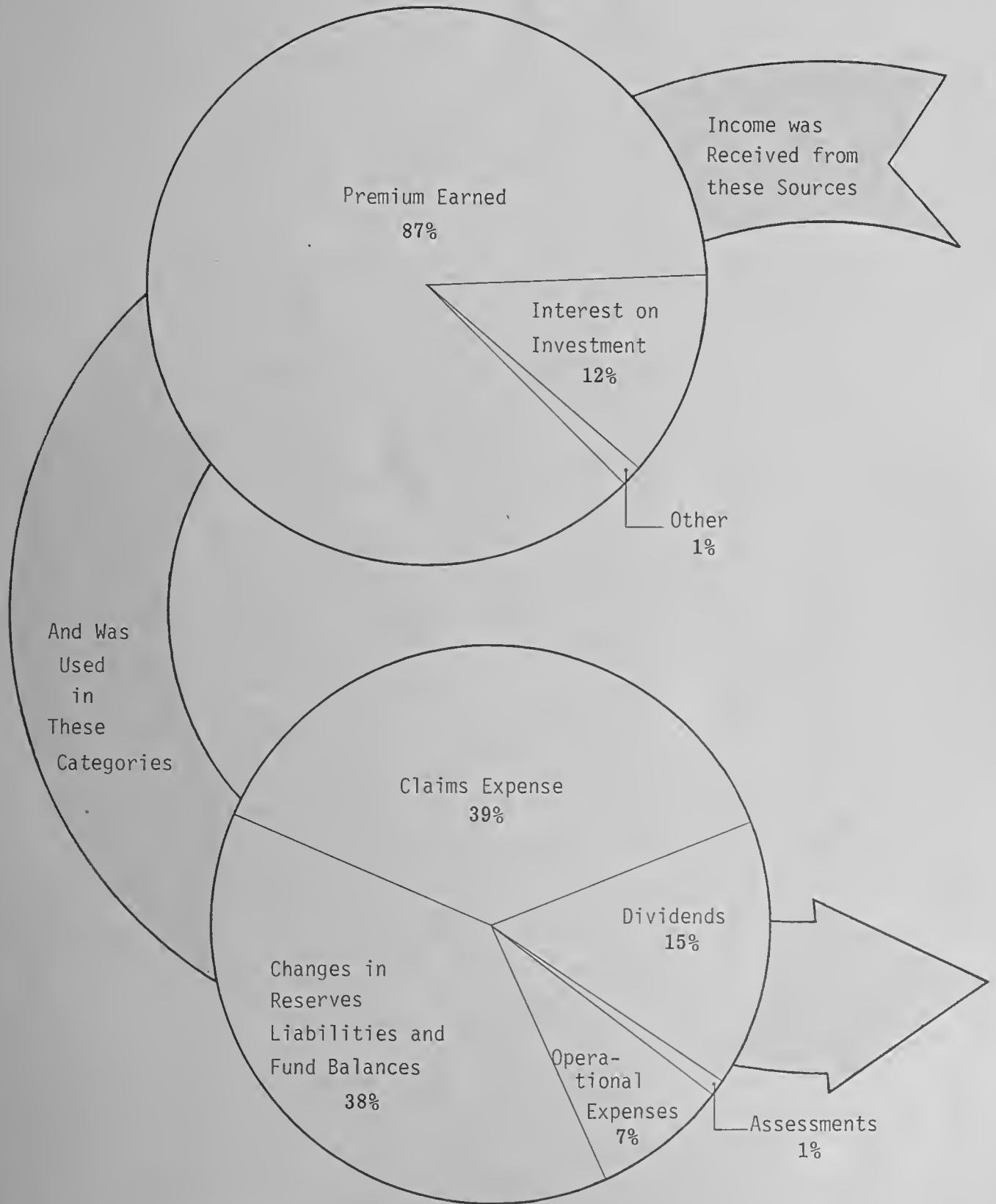
Claims Expense	\$ 1,300,000	
Catastrophe	1,750,000	
Security Valuation	1,214,509	
Total Reserves		4,264,509

FUND BALANCE

Provision for Claim Fluctuation	\$ 2,490,744	
Provision for Medical & Hospital Cost Fluctuation	500,000	
Provision for Permanent Total Lifetime Benefits	400,000	
Provision for Rate Stabilization	908,248	
Prior Year Income Recorded in Current Year	3,506,241	
Total Fund Balance		\$ 7,805,233

TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$47,481,280
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STATE COMPENSATION INSURANCE FUND - 1976



STATEMENT OF OPERATIONS

This statement reflects in summary form the operations of the State Compensation Insurance Fund during the fiscal year ending June 30, 1976. The primary source of income is generated from premiums paid by employers, while the secondary source is derived from interest earned on the investments of the Fund. Both compensation paid to injured employees and the medical expense associated with injuries represent the major costs of the Fund. The administrative assessment represents the Fund's equitable share of the operational and administrative expenses. Subsequent injury and rehabilitation assessments are statutory assessments levied against all insurers. The difference between total income and total expense reflects the results of operations before reserve changes and before fund adjustments.

INCOME

Total Earned Premium	\$18,329,385
Interest Earnings on Investments	2,649,675
Other Income	<u>52,600</u>
Total Income	\$21,031,660

EXPENSES

Claims Expenses:	
Compensation Benefits	\$5,214,048
Medical Benefits	<u>2,887,997</u>
Total Claims Expense	<u>\$8,102,045</u>

Other Expenses:	
Administrative Assessment	\$1,482,065
Bad Debts	90,945
Subsequent Injury Assessment	112,983
Rehabilitation Assessment	<u>44,113</u>
Total Other Expenses	<u>\$1,730,106</u>

Total Expenses	<u>9,832,151</u>
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Results of Operations Before Changes in Liabilities, Reserves & Fund Balance	<u>\$11,199,509</u>
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STATEMENT OF CHANGES IN LIABILITIES, RESERVES AND FUND BALANCE

This schedule presents the changes in liabilities, reserves and fund balance, plus the net fund adjustments and dividend calculation for fiscal year 1976. The decreases in liabilities for compensation benefits, medical benefits and dividends payable are the direct result of operations during the year. Increases and decreases in the other accounts are based upon recommendations by the actuary. Permanent lifetime reserve has been reduced again by \$100,000, as the need for this reserve has been eliminated by statutory changes. Lifetime benefits are considered when compensation reserves are established. Based upon an analysis by the independent actuary, a security valuation reserve has been established this year to protect against losses on sales of securities due to the difference between the recorded cost and the market value of investments.

After adjusting the reserve levels to assure a sound financial fund, the final figure represents the amount of dividends available for distribution to eligible employers enrolled in the Fund. The dividends will be distributed during April 1977.

Results of Current Year Operations	\$11,199,509
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CHANGES - INCREASES (DECREASES)

LIABILITIES

Dividends Payable (Fiscal Year 1975)	\$(1,830,520)
Compensation Benefits	(635,995)
Medical Benefits	(918,590)
Medical Only Benefits	150,000
Unreported Claims	4,631,498
Reopened Claims	1,335,852
	<u>\$ 2,732,245</u>

RESERVES

Claims Expense	\$ 550,000
Catastrophe	500,000
Security Valuation	1,214,509
	<u>\$ 2,264,509</u>

FUND BALANCE

Provision for Claim Fluctuation	\$ 957,744
Provision for Permanent Total Lifetime Benefits	(100,000)
Provision for Rate Stabilization	319,248
	<u>\$ 1,176,992</u>

Net Increase in Liabilities, Reserves, and Fund Balance	<u>6,173,746</u>
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Increase to Fund Balance		\$ 5,025,763
Less: Prior Year Fund Adjustments	\$ 147,643	
Fiscal Year 1975 Dividends Paid	<u>1,768,738</u>	<u>1,916,381</u>

Available for Fiscal Year 1976 Dividends	<u>\$ 3,109,382</u>
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COATES, HERFURTH & ENGLAND
ACTUARIES AND CONSULTANTS
320 CALIFORNIA STREET
SAN FRANCISCO 94104
TELEPHONE (415) 433-4440

November 5, 1976

Workers' Compensation Division
Department of Labor and Industry
State of Montana
815 Front Street
Helena, Montana 59601

Gentlemen:

We have examined the methods and procedures utilized by the Workers' Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year June 30, 1976, under Compensation Plan Number 3 as set forth in the Workers' Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Liability for:

Compensation Benefits on approved and pending claims	\$ 13,295,659
Medical Benefits for approved and pending claims	4,500,796
Medical only benefits for approved and pending claims	750,000
Incurred but unreported claims	9,281,498
Reopened Claims	2,000,000
Provision for permanent total lifetime benefit	<u>400,000</u>
Total	\$ 30,227,953

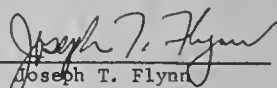
In addition to the above amounts for claim liabilities, the Fund is maintaining a claim fluctuation reserve of \$2,490,744 and a Rate Stabilization reserve of \$908,248, together with combined reserves for catastrophe and medical cost fluctuations of \$2,250,000. A claim expense reserve of \$1,300,000 and a security valuation reserve of \$1,214,509 are also maintained.

In our opinion, the above claim liabilities are based upon the benefits provided under the Workers' Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our understanding that, in the opinion of the auditors of the Division that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date, and that the Fund is in a sound actuarial and financial position.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion the Fund can continue to be maintained on a sound actuarial and financial basis.

Yours respectfully,

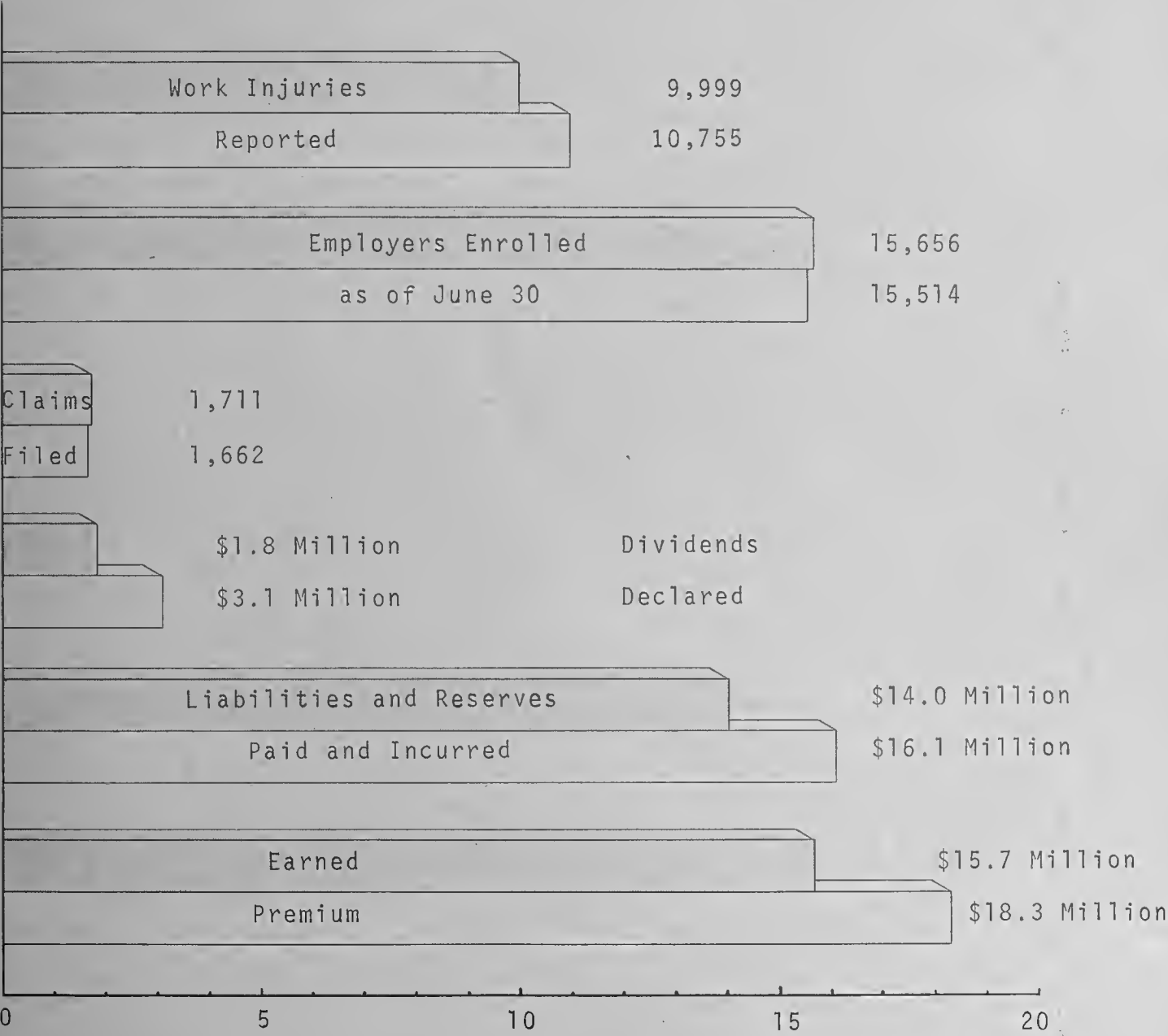
COATES, HERFURTH & ENGLAND
Actuaries and Consultants

By 
Joseph T. Flynn

JTF/jd


STATE COMPENSATION INSURANCE FUND

STATISTICAL INFORMATION



FISCAL YEAR ENDING JUNE 30, 1975

FISCAL YEAR ENDING JUNE 30, 1976



WORK INJURY REPORTS

SECTION IV

INTRODUCTION

This section of the report shows various analyses of the industrial work injuries reported during the fiscal year. The tables and graphs depict the nature and cause of fatalities or injuries by major industry and other relevant information. The statistics should be of value and interest to employees, employers, insurance companies, and others concerned with preventing industrial accidents.

Review of this data in relation to individual firms can result in the development of appropriate safety programs or improvements to an existing one. The Division's safety and health program personnel are available to assist employers in their safety programs and to perform advisory inspections, using federal standards, at the employer's place of business. This assistance is provided upon request.

The tables and graphs provided in this report represent a summary of statistics accumulated by the Division. More detailed statistics can be provided to individuals or organizations upon request.

CAUSE OF FATALITIES WITHIN MAJOR INDUSTRY

The table below provides an overview of work related fatalities in Montana during fiscal year 1976 by compensation plan. Montana industries reported 48 work related fatalities this year.

<u>INDUSTRY</u>	<u>PLAN I</u>	<u>PLAN II</u>	<u>PLAN III</u>	<u>TOTAL</u>
<u>AGRICULTURE</u>				
Struck by metal	0	1	1	2
Struck by tree	0	0	1	1
Electrocution	0	0	1	1
Fall from horse	0	0	2	2
Heart attack	0	0	2	2
Truck accident	0	0	1	1
Buried under shavings	0	0	1	1
<u>MINING</u>				
Suffocation	1	0	0	1
Auto accident	0	0	1	1
<u>CONSTRUCTION</u>				
Electrocution	0	1	1	2
Heart attack	0	2	0	2
Car and truck accidents	0	3	0	3
Hit by truck	0	1	0	1
Fall from elevation	0	1	0	1
Stuck by loader	0	1	0	1
Blood clots from bruise	0	0	1	1
<u>MANUFACTURING</u>				
Hit by equipment	1	1	0	2
Bulldozer accident	1	0	0	1
Excavation cave-in	1	0	0	1
Heat exhaustion	0	1	0	1
Stuck by log	0	1	0	1
Heart attack	0	1	0	1
Truck and auto accidents	0	1	1	2
<u>TRANSPORTATION</u>				
Electrocution	2	0	0	2
Gunshot wound	0	1	0	1
Crushed by garbage unit	0	0	1	1
<u>TRADE</u>				
Heart attack	0	1	1	2
Auto accident	0	0	1	1
<u>FINANCE</u>				
Auto accident	0	1	0	1
Crushed in garbage truck	0	1	0	1
<u>SERVICES</u>				
Auto accidents	0	2	0	2
Heart attack	0	0	1	1
<u>GOVERNMENT</u>				
Auto accidents	0	0	2	2
Gunshot wound	0	0	1	1
Heart attack	0	0	1	1
<u>TOTAL</u>	<u>6</u>	<u>21</u>	<u>21</u>	<u>48</u>

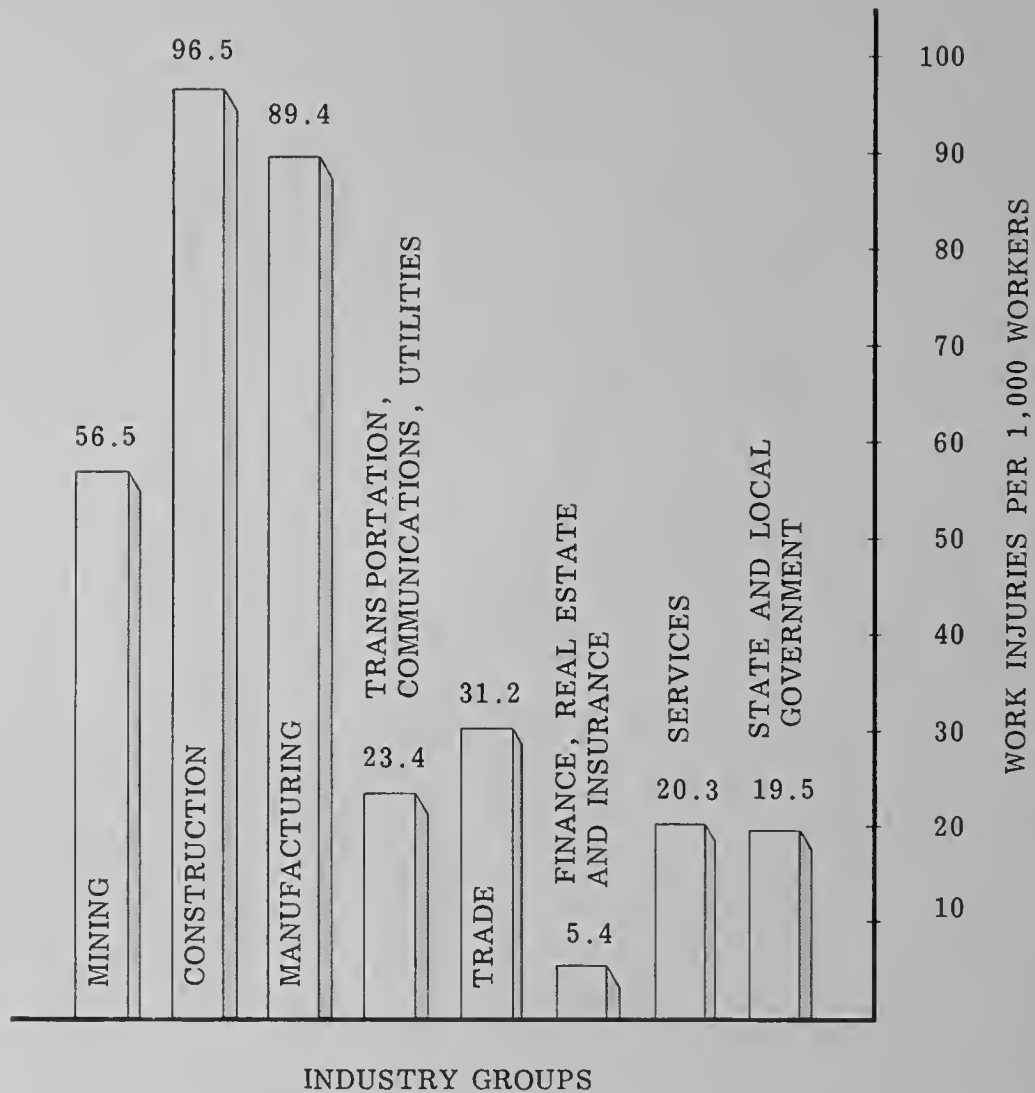
DISABLING AND NONDISABLING INJURIES

Disabling injury refers to an injury from an industrial accident resulting in the injured employee not returning to work for his next scheduled work shift. Conversely, the nondisabling injury does not result in lost time beyond the day of the accident. The following table reflects Montana industry's experience concerning disabling and nondisabling injuries for the last ten years. The marked increase in total reported injuries for the last three fiscal years is generally due to changes in the law in 1973, which required nearly all employers in Montana, including the agricultural sector, to carry workers' compensation insurance.

<u>Year</u>	<u>Total Injuries</u>	<u>Dis- abling</u>	<u>Percent of Total</u>	<u>Nondis- abling</u>	<u>Percent of Total</u>	<u>Undeter- mined</u>	<u>Percent of Total</u>
1966-67	22,767	6,329	27.8	15,880	69.8	558	2.4
1967-68	22,799	6,590	28.9	15,491	67.9	718	3.2
1968-69	23,195	6,661	28.7	15,826	68.2	708	3.1
1969-70	22,476	6,549	29.1	14,914	66.4	1,013	4.5
1970-71	21,986	5,832	26.5	14,872	67.7	1,282	5.8
1971-72	22,439	6,180	27.5	15,005	66.9	1,254	5.6
1972-73	23,821	6,927	29.1	15,938	66.9	956	4.0
1973-74	27,097	8,394	31.0	17,733	65.4	970	3.6
1974-75	27,120	7,875	29.0	18,312	67.5	933	3.5
1975-76	29,415	8,589	29.2	19,591	66.6	1,235	4.2

DISABLING INJURIES BY INDUSTRY GROUP

Excluding agricultural industries, there were 37.3 disabling injuries per 1,000 employees. This compares to 29.3 during the previous year. The chart below compares the total disabling injuries per 1,000 employees to the various industrial groups. The chart does not include the agricultural industry because total employment in this group is not available.



NATURE AND OCCURRENCE OF WORK INJURIES IN MONTANA

The following narratives and tables reflect data on the nature and occurrence of work injuries as reported to and compiled by the Division. The Division classifies and codes reported accidents in accordance with uniform federal guidelines. As of October 30, 1976, employers and insurance companies reported a total of 29,415 industrial accidents occurring in the fiscal year ending June 30, 1976.

Nature of Injury

The nature of injury identifies the injury in terms of its principal physical characteristics.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Burns	1,118	3.8
Open wounds	10,303	35.0
Strains	8,445	28.7
Fractures	2,392	8.1
Diseases	340	1.2
Bruises	4,012	13.6
Multiple	339	1.2
Other	63	.2
Not classified	2,403	8.2
TOTAL	29,415	100.0

Part of Body

The part of body identifies the part of the injured person's body directly affected by injury.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Head, face and neck	2,322	7.9
Eyes	3,248	11.0
Body systems	250	.8
Trunk	2,511	8.5
Back and spine	5,161	17.5
Arms and wrists	2,581	8.8
Hands and fingers	6,879	23.4
Upper extremities	15	.1
Legs and ankles	2,997	10.2
Feet and toes	2,488	8.5
Lower extremities	5	.0
Body multiple	850	2.9
Not classified	108	.4
TOTAL	29,415	100.0

Accident Type

The accident type identifies the event which directly resulted in the injury .

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Struck by object	13,450	45.7
Caught in, on, or between	1,951	6.6
Slips and falls	5,036	17.1
Motor vehicle	555	1.9
Strain or overexertion	5,116	17.4
Temperature extremes	543	1.8
Electrical current	312	1.1
Inhalation	340	1.2
Rubbed or abraded	356	1.2
Combinations	5	.0
Not classified	1,751	6.0
TOTAL	29,415	100.0

Source of Injury

The source of injury identifies the object, substance, exposure, or bodily motion which directly produced or inflicted the injury .

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Animals	743	2.5
Atmosphere	90	.3
Body motion	3,555	12.1
Boilers	87	.3
Boxes and barrels	1,294	4.4
Buildings	70	.2
Chemicals	1,106	3.8
Conveyors	191	.6
Construction materials		.0
Dirt masses	24	.2
Electrical apparatus	203	.7
Flame and smoke	174	.6
Food	85	.3
Furniture	185	.6
Glass	94	.3
Hand tools	2,823	9.6
Hoisting apparatus	241	.8
Ladders	332	1.1
Machines	911	3.1
Mechanical transmission	247	.8
Metal items	2,177	7.4
Particles	2,439	8.3
Trees	1,891	6.4
Textile	15	.1
Vehicles	1,778	6.0
Working surfaces	3,992	13.6
Miscellaneous	230	.8
Not classified	4,438	15.1
TOTAL	29,415	100.0

Industry Group

These are the standard industrial classifications and provide an overview of experience by industry.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Agriculture	2,190	7.4
Mining	1,220	4.1
Construction	3,966	13.5
Manufacturing	7,009	23.8
Transportation	1,546	5.3
Wholesale trade	1,532	5.2
Retail trade	4,977	16.9
Finance	194	.7
Services	3,214	10.9
Public administration	3,486	11.9
Not classified	81	.3
TOTAL	<u>29,415</u>	<u>100.0</u>

Work Injuries by Age and Sex

This table compares the work injuries for fiscal year 1976 by age group and sex. The average age of injured workers in total years was 33.3; 33.0 years for males, and 35.0 years for females.

<u>Age Group</u>	<u>Male</u>	<u>Female</u>	<u>Both</u>
Below 15	21	6	27
15 - 19	2,366	557	2,925
20 - 24	5,428	927	6,356
25 - 29	4,382	606	4,990
30 - 34	2,734	415	3,149
35 - 39	2,159	368	2,527
40 - 44	1,685	373	2,058
45 - 49	1,451	364	1,816
50 - 54	1,242	366	1,609
55 - 59	1,187	344	1,531
60 - 64	739	182	921
65 - 69	177	34	211
70 - 74	45	17	62
Over 75	25	4	29
Not classified	<u>1,044</u>	<u>157</u>	<u>1,204</u>
TOTAL	<u>24,685</u>	<u>4,720</u>	<u>29,415</u>

